

MAINE

2003

Instructions for: **FORM 1041ME**

TRUSTS & ESTATES (FIDUCIARY) INCOME TAX



IMPORTANT CHANGES

36 M.R.S.A. § 5220, sub-§§ 3 & 4. Income of estates and trusts. The requirement to file a Maine return by estates and trusts has changed. Under the new law, only estates with gross income greater than \$10,000 or with any Maine taxable income must file a Maine return. Previously, resident estates and trusts were required to file a Maine return if a federal return was also filed. Nonresident estates and trusts were required to file a Maine return if the estate or trust had Maine taxable income or gross income greater than \$600. Applies to tax years beginning after 2002. See PL 2003, c. 391, § 11.

36 M.R.S.A. § 4070. Extension of time for filing return. An automatic extension equal to the federal extension is granted for filing the Maine estate tax return. If no federal extension exists, the State Tax Assessor may grant a reasonable time of extension for filing the Maine estate tax return, but in no event may the extension exceed 8 months. Payment reasonably estimating the amount of tax due must be paid on or before the payment due date. See PL 2003, c. 390, § 20.

36 M.R.S.A. § 5203-A, sub-§ 1, ¶ C. Alternative minimum tax. For tax years beginning in 2003 and 2004, Maine decouples from the increase in the federal exemption amounts applicable to the alternative minimum tax. In calculating Maine minimum tax, the effect of the increased federal amounts must be ignored. See PL 2003, c. 479, § 7.

CONTINUED ON PAGE 2.

For **DOWNLOADABLE FORMS**, visit our Web site: www.maine.gov/revenue.

IMPORTANT CHANGES CONTINUED

36 M.R.S.A. § 5122, sub-§ 1, ¶ D & § 5200-A, sub-§ 1, ¶ B. Net operating losses. Beginning with the 2002 tax year, taxpayers will no longer be required to add back, in the year of the loss, net operating losses being carried back for federal income tax purposes. The effect is that a federal loss can be used to offset Maine addition modifications in the year of the loss. See PL 2003, c. 390, §§ 28 & 38.

36 M.R.S.A. § 5122, sub-§ 1, N; sub-§ 2, Q, R & S; § 5200-A, sub-§1, N; and sub-§ 2, L, M, N & O. Bonus depreciation and section 179 expensing. Maine will not conform to the bonus depreciation and section 179 expense deduction increases allowed under recent federal legislation. The federal bonus depreciation is increased from 30% to 50% for eligible property acquired after May 5, 2003 and placed in service before 2006. Also, the IRC section 179 expense deduction is increased as follows for eligible property placed in service in tax years beginning after 2002 and before 2006: 1) the deduction limit is increased from \$25,000 to \$100,000; 2) the phase-out threshold is increased from \$200,000 to \$400,000; and, 3) certain off-the-shelf computer software is includable as eligible property for purposes of the section 179 deduction. The addition modification for the net effect of the bonus depreciation includes both the 30% and 50% claims. An addition modification is also enacted to add back the effect of any additional section 179 expense deduction claimed. Taxpayers will be allowed to recover these add-backs in future years. The bonus depreciation add-back required for taxable years beginning in 2002 may be recovered in equal installments over the remaining life of the asset beginning in taxable years that begin in 2004. Add-backs for both the bonus depreciation and section 179 property required in taxable years beginning in 2003, 2004 and 2005 may be recovered 5% in the year following the year the eligible property is placed in service and 95% in equal installments over the remaining life of the asset beginning 2 years following the year the property is placed in service. For purposes of section 179 property, the remaining life of the asset is determined as though section 179 of the Internal Revenue Code did not apply. See PL 2003, c. 20, Pt. EE and PL 2003, c. 479, §§ 2, 3, 5 & 6.

36 M.R.S.A. § 4062, sub-§ 1-A; § 4063, sub-§ 2; and § 4064. Estate tax. The law, for calendar years 2003 and 2004, reduces the estate tax unified credit amount and resets the state death tax credit calculation to their pre-EGTRRA levels. The reduced unified credit amount (from \$345,800 to \$229,800 in 2003; from \$555,800 to \$287,300 in 2004) lowers the threshold of taxability and increases the upper tax limit for estates with Maine property. As a result, estates of 2003 decedents worth more than \$700,000 are taxable to Maine, while only those in excess of \$1 million are taxable at the federal level. For estates of 2004 decedents, those worth more than \$850,000 will be taxable to Maine, while only those in excess of \$1.5 million will be taxed at the federal level. In general, since the Maine estate tax is limited by the amount to which the federal gross estate tax exceeds the unified credit, lowering the unified credit amount raises the Maine estate tax limit. Also, the federal reduction (50% in 2003, 75% in 2004) in the state death tax credit is ignored for purposes of calculating the tax due to Maine. See PL 2003, c. 20, Pt. JJ.

36 M.R.S.A. § 5217-A. Credit for taxes paid to another jurisdiction. The credit for taxes paid to another state is clarified to relate only to income derived from sources in that other state determined in the same manner as Maine-source income is determined under Title 36 § 5142 for nonresident individuals. Effective September 12, 2003. See PL 2003, c. 391, § 9.

36 M.R.S.A. § 5142(1). Nonresident Maine-source Income. Provisions governing Maine-source income of nonresident individuals are amended to include payments received from 3rd parties for the transfer of rights to future proceeds related to Maine State Lottery or Tri-state Lotto tickets purchased in Maine.

36 M.R.S.A. §§ 5250-B, 5251, 5253. Income tax withholding for pass-through entities. This law establishes a requirement for all pass-through entities doing business in Maine, beginning in 2003, to withhold income taxes from their nonresident owners. The withholding is to be based on the nonresident member's share of Maine-source income and the amount withheld is based on the highest appropriate tax rate (8.5% for individuals, trusts, estates and other pass-through entities; 8.93% for corporations). Estates and trusts are included in the definition of pass-through entity for this withholding requirement. If the nonresident member's share of Maine-source income for the year is less than \$1,000, the withholding requirement is waived. Pass-through entities will normally be required to file returns and make payments quarterly. However, for calendar year 2003, only one annual return and one annual payment will be required, due January 31, 2004. Visit the Maine Revenue Services Web site for more information or call (207) 626-8475 (option 4). See PL 2003, c. 20, Pt. AA, §§ 1 – 3.

Tax Violations Hot Line: 1 (207) 624-9600 Call this number or send an e-mail to compliance.tax@maine.gov to report possible tax violations including failure to file tax returns, failure to report all income, and failure to register for tax filing.

MAINE REVENUE SERVICES PRIVACY POLICY

Maine Revenue Services ("MRS") maintains the highest standards in handling personally identifiable taxpayer information. Taxpayers have the right to know what information is kept on file about them, to have reasonable access to it, and to receive a copy of their file. Under penalty of law, employees and agents of MRS are prohibited from willfully inspecting information contained on any tax return for any purpose other than the conduct of official duties. In addition, MRS employees and agents are prohibited from disclosing tax information to anyone other than the taxpayer except in a limited number of very specific circumstances. No unassociated third parties may receive information pertaining to tax returns without written permission from the affected taxpayer except as allowed under 36 M.R.S.A. § 191. Communications that do not meet the definition of tax information are subject to the general confidentiality and public inspection provisions of Maine's "Freedom of Access" laws. When confidential taxpayer information is stored by MRS, it is kept in a secure location where it is accessible only to authorized employees and agents of MRS. If you have any questions regarding the Privacy Policy, please contact MRS at (207) 626-8475.



FORM 1041ME, page 2

SCHEDULE 1 - FIDUCIARY ADJUSTMENT

(Enter combined amounts for both the beneficiaries and the estate or trust)

0309121⁰⁰

1 **ADDITIONS** — Income exempt from federal income tax, but taxable by Maine law:

a Income from municipal and state bonds, other than Maine 1a . 0 0

b Net Operating Loss Recovery Adjustment (attach schedule) 1b . 0 0

c Maine State Retirement Contributions 1c . 0 0

d Fiduciary Adjustment-additions only 1d . 0 0

e Bonus Depreciation and IRC §179 Expense Add-back (See instructions) 1e . 0 0

f Other. List _____ (See instructions) 1f . 0 0

g Total additions (add lines 1a through 1f) 1g . 0 0

2 **DEDUCTIONS** — Income exempt from Maine income tax, but taxable by federal law:

a U.S. Government Bond interest included in federal taxable income 2a . 0 0

b Social Security and Railroad Retirement Benefits included in federal taxable income (see instructions) 2b . 0 0

c Interest from Maine Municipal General Obligation Bonds included in federal taxable income 2c . 0 0

d Maine State Retirement System Pick-Up Contributions paid during 2003
which have been previously taxed by the state 2d . 0 0

e Federal Work Opportunity Credit 2e . 0 0

f Other. List _____ (See instructions) 2f . 0 0

g Total Deductions (add lines 2a through 2f) 2g . 0 0

3 **Net Fiduciary Adjustment** (subtract line 2g from line 1g — see instructions [may be a negative amount]) 3 . 0 0

Resident trusts or estates: If the trust's/estate's share of distributable net income is less than 100%, multiply the result of subtracting line 2g from line 1g (\$ _____) by Schedule 2, Column 3, line f. Enter result here and on page 1, line 2. **Nonresident trusts or estates:** Enter total fiduciary adjustment here and on Schedule NR, line 4. Do not apply the allocation rate from Schedule 2 at this time; the rate will be applied when completing Schedule NR.

SCHEDULE 2 — ALLOCATION OF FEDERAL INCOME AND MAINE-SOURCE INCOME

1. Name B = beneficiary TE = trust or estate	2. Share of income (copy from federal return)	3. Percent	4. State of domicile	5. Social security number/EIN of beneficiaries	6. Maine-source income allocated to nonresident beneficiaries
(a) B-	\$	%			\$
(b) B-	\$	%			\$
(c) B-	\$	%			\$
(d) B-	\$	%			\$
(e) B-	\$	%			\$
(f) TE-	\$	%			\$
(g) Total	\$	100%			\$

Nonresident: Line g, column 6: Enter the amount from Schedule NR, line 5, column B. Complete column 6 for nonresident beneficiaries based on the amount entered on line g, column 6, and also based on the percentages in column 3.

SCHEDULE 3 - CREDIT FOR INCOME TAX PAID TO ANOTHER JURISDICTION

1 Maine taxable income from Form 1041ME, page 1, line 3 1 . 0 0

2 Income taxed by (_____ other jurisdiction) included in line 1 2 . 0 0

3 Percentage of income taxed by other jurisdiction (divide line 2 by line 1) 3 _____ %

4 Limitation of credit:

a Form 1041ME, page 1, line 4 \$ _____ multiplied by _____ % on line 3 above 4a . 0 0

b Income taxes paid to other jurisdiction net of tax credits 4b . 0 0

5 Allowable credit: line 4a or 4b, whichever is less. Enter here and on Form 1041ME, Schedule A, line 4 5 . 0 0

Special instructions for taxpayers who claim credit for income tax paid to more than one other jurisdiction: Credit for each jurisdiction must be computed separately. Use a separate Schedule 3 for each one. Add the results together and enter total on Schedule A, line 4.



SCHEDULE A
FORM 1041ME
2003

ADJUSTMENTS TO TAX

If this schedule is used, file it
with Form 1041ME.

0309124₀₀

Name as shown on Form 1041ME

Estate/Trust EIN

____ - ____ - ____

Section 1. TAX ADDITIONS:

- | | | | | |
|--|---|-------|-------|-----|
| 1. RETIREMENT PLAN DISTRIBUTIONS - Enter the amount from federal Form 1041, Schedule G, line 1b \$ _____ Multiply this amount by 15% and enter result here | 1 | _____ | _____ | .00 |
| 2. MAINE MINIMUM TAX - Attach Maine Minimum Tax Worksheet | 2 | _____ | _____ | .00 |
| 3. TOTAL ADDITIONS: Add lines 1 and 2 | 3 | _____ | _____ | .00 |

Section 2. TAX CREDITS (see instructions for details):

- | | | | | |
|--|----|-------|-------|-----|
| 4. CREDIT FOR INCOME TAX PAID TO ANOTHER JURISDICTION
Form 1041ME, Schedule 3, line 5 | 4 | _____ | _____ | .00 |
| 5. MAINE SEED CAPITAL CREDIT (Attach worksheet-See instructions) | 5 | _____ | _____ | .00 |
| 6. EMPLOYER-ASSISTED DAY-CARE CREDIT (Attach worksheet-See instructions) | 6 | _____ | _____ | .00 |
| 7. MACHINERY & EQUIPMENT INVESTMENT TAX CREDIT OR SOLID WASTE REDUCTION INVESTMENT TAX CREDIT
(Business Name - _____) | 7 | _____ | _____ | .00 |
| 8. FOREST MANAGEMENT PLANNING CREDIT | 8 | _____ | _____ | .00 |
| 9. EMPLOYER-PROVIDED LONG-TERM CARE CREDIT (Attach worksheet-See instructions) | 9 | _____ | _____ | .00 |
| 10. JOBS & INVESTMENT TAX CREDIT (Attach worksheet-See instructions) | 10 | _____ | _____ | .00 |
| 11. RESEARCH EXPENSE TAX CREDIT (Attach worksheet-See instructions) | 11 | _____ | _____ | .00 |
| 12. RESEARCH & DEVELOPMENT SUPER CREDIT (Attach worksheet-See instructions) | 12 | _____ | _____ | .00 |
| 13. HIGH-TECHNOLOGY CREDIT (Attach worksheet-See instructions) | 13 | _____ | _____ | .00 |
| 14. MAINE MINIMUM TAX CREDIT - (Attach Maine Minimum Tax Worksheet) | 14 | _____ | _____ | .00 |
| 15. CREDIT FOR DEPENDENT HEALTH BENEFITS PAID (Attach worksheet-See instructions) | 15 | _____ | _____ | .00 |
| 16. CLEAN FUEL CREDIT (Attach worksheet-See instructions) | 16 | _____ | _____ | .00 |
| 17. HISTORIC REHABILITATION CREDIT (Attach worksheet-See Instructions) | 17 | _____ | _____ | .00 |
| 18. FAMILY DEVELOPMENT ACCOUNT CREDIT (Attach worksheet-See instructions) | 18 | _____ | _____ | .00 |
| 19. QUALITY CHILD-CARE INVESTMENT TAX CREDIT (Attach worksheet-See instructions) | 19 | _____ | _____ | .00 |
| 20. TOTAL CREDITS - Add lines 4 through 19 | 20 | _____ | _____ | .00 |
| 21. MAINE INCOME TAX PLUS ADDITIONS - Form 1041ME, page 1, line 4 plus line 3 above | 21 | _____ | _____ | .00 |
| 22. ALLOWABLE CREDITS - Amount on line 20 or line 21, whichever is less. | 22 | _____ | _____ | .00 |
| 23. TOTAL TAX ADJUSTMENTS - Line 3 minus line 22 (may be positive or negative). Enter here and
on FORM 1041ME, page 1, line 5 | 23 | _____ | _____ | .00 |

**INCOME SCHEDULE FOR
NONRESIDENT TRUSTS OR ESTATES**

A copy of federal Form 1041 must be attached to this
Schedule

Name of Trust or Estate

Social Security Number/EIN

C
NON-MAINE

- [illegible]

GENERAL INSTRUCTIONS

WHO MUST FILE

The fiduciary or trustee of a resident or nonresident estate or trust must file Form 1041ME if the estate or trust has any Maine taxable income or gross income greater than \$10,000 for the taxable year. The Maine-source income of a nonresident estate or trust is determined on Schedule NR (see instructions for Schedule NR on page 16).

A completed copy of federal Form 1041 must accompany the Maine nonresident return.

DEFINITION OF RESIDENT AND NONRESIDENT ESTATE OR TRUST

Trusts registered with the Maine Probate Court under the provisions of 18-A M.R.S.A. § 7-101 are subject to Maine income tax as resident trusts. Otherwise, domicile of the decedent, grantor or settlor determines residency. Situs of the trust instrument, the property held in trust, the location of the trustees, the adoption of the laws of any state in the governing instrument are irrelevant for the purpose of determining residency.

A resident estate is the estate of a decedent who, at death, was domiciled in Maine. A resident testamentary trust is a trust which is created by the last will and testament of a decedent who, at death, was domiciled in Maine. Any estate or testamentary trust created by the will of a decedent who was not domiciled in the State of Maine at death shall be considered a nonresident estate or nonresident testamentary trust.

A resident irrevocable inter vivos trust is a trust which was created by or consisted of property of a person domiciled in Maine at the time it was funded. An irrevocable inter vivos trust will be classified as a nonresident trust if the creator of the trust is not domiciled in Maine when funded.

If the settlor of a revocable inter vivos trust is domiciled in Maine when the trust is created, the trust is considered a resident inter vivos trust until the settlor becomes domiciled in another state. A nonresident revocable inter vivos trust will become a resident trust if and when the creator of the trust becomes domiciled in Maine.

QUALIFIED FUNERAL TRUST

If you meet the criteria of a qualified funeral trust at the federal level, you can file using the same status for Maine purposes. Check the box for "Qualified Funeral Trust" on page one of the return. For a combined return, attach a schedule listing for each beneficiary: Maine taxable income, Maine income tax, name, social security number and whether or not the beneficiary is a resident of Maine. Since each beneficiary is considered a separate trust, Maine income tax must be calculated separately for each beneficiary. The total tax for all beneficiaries is then entered on line 4 of Form 1041ME.

BANKRUPTCY

For bankruptcy estates (chapter 7 or 11), use Form 1041ME as a transmittal for Form 1040ME. In the top margin of Form 1040ME, write "attachment to Form 1041ME. DO NOT DETACH." Complete the name, address, and identification information at the top of Form 1041ME. Then complete Form 1040ME through line 23. Enter the amount from Form 1040ME, line 23 on line 4 of Form 1041ME, then follow the instructions for completing lines 5 - 10 on Form 1041ME.

WHEN TO FILE

The due date is April 15, 2004. For fiscal year filers, the due date is the 15th day of the fourth month following the close of the taxable year.

EXTENSIONS

A State of Maine extension request form is not required. If you are unable to file your return by the original due date of the return, Maine allows an automatic extension equal to any federal extension or 6 months, whichever is the longer period of time. **Caution: An extension to file your Maine return is not an extension for payment of tax.** If you owe money, you must pay at least 90% of that amount by the original due date for filing your return in order to avoid the penalty for late payment of tax. Any remaining tax must be paid when the return is filed by the extended due date in order to avoid the failure-to-pay penalty. Interest is charged on any tax paid after the original due date of the return.

Remit your extension payment with the payment voucher on page 16 by the original due date for filing your Maine return to: Maine Revenue Services, P.O. Box 9108, Augusta, ME 04332-9108.

INTEREST AND PENALTIES

Interest will be added each month on overdue tax until the entire tax amount is paid. Beginning January 1, 2004, the interest rate is 6% per year, compounded monthly. In addition to interest, a penalty is assessed for late filing. A separate penalty is assessed for the late payment of tax. The penalty for late filing is \$25 or 10% of the tax due, whichever is greater. If a tax return is not filed upon demand, the penalty for late filing is 100% of the tax due. The penalty for late payment of the tax is 1% per month up to a maximum of 25%. Both penalties are assessed when the return is filed late and the tax is paid late. The law also provides for penalties for the underpayment of estimated tax, for preparing or filing a fraudulent income tax return, and for the understatement of income.

WHOLE DOLLAR AMOUNTS

Show money items as whole dollar amounts. Drop any amount under 50 cents to the lower dollar amount and increase any amount 50 cents through 99 cents to the higher dollar amount.

ACCOUNTING PERIODS AND METHODS

The accounting period and the method of accounting used are the same as those used for federal tax purposes. If the taxable year or method of accounting is changed for federal income tax purposes, the change also applies to the Maine return.

REPORT OF CHANGE IN MAINE TAXABLE INCOME

If the amount of the federal taxable income is changed or corrected by the Internal Revenue Service, or if the Maine tax liability changes for any other reason, the fiduciary must report the changes on an amended Maine return within 90 days after the final determination of the change. Any fiduciary filing an amended federal income tax return must also file an amended Maine return within 90 days. Failure to comply with these requirements could result in failure-to-file and failure-to-pay penalties. To file an amended return, use Form 1041ME for the year(s) you are amending and check the "amended return" box at the top of the form. **Attach a statement explaining the changes if applicable and a copy of your federal amended return or Internal Revenue agent's report to the Maine amended return.**

GENERAL INSTRUCTIONS CONTINUED

PAYMENT OF ESTIMATED TAX

Estates and trusts subject to Maine income tax are required to make installment payments of estimated tax if the estimated tax liability is \$1,000 or more. Generally, payments must be made in four equal installments due April 15, June 15, September 15, and January 15. If you are subject to this requirement, read the instructions for Form 1040ES-ME available online at www.maine.gov/revenue, or request estimated tax forms for fiduciaries by calling 207-624-7894.

Note: Maine's trust/estate estimated tax filing requirements differ from federal requirements in that Maine 1041 estimate payments must be made after the first year filing. 36 M.R.S.A. § 5228.

THIRD PARTY DESIGNEE

You may designate a third party to discuss your return with Maine Revenue Services by checking the "Yes" box. Also enter the person's name, phone number, and any 5-digit number the person chooses as their personal identification number (PIN). Checking the "Yes" box will enable Maine Revenue Services to call the person you have chosen if there are any questions or if additional information is needed to process your return.

SIGNATURE

Any person who prepares a taxpayer's return for compensation must also sign and enter his or her social security number or PTIN as assigned by the IRS. If the return is prepared by a firm or corporation, the federal identification number of the firm must also be listed.

INFORMATION

MRS Web site: www.maine.gov/revenue

MAINE REVENUE SERVICES

PO BOX 9108

AUGUSTA, ME 04332-9108

ASSISTANCE: (207) 626-8475 MONDAY-FRIDAY, 8 A.M. - 5 P.M.

ORDER FORMS BY CALLING: (207) 624-7894

SPECIFIC INSTRUCTIONS

(Please show negative income amounts on your form by placing a minus sign in the box to the left of the amount.)

RESIDENT ESTATE OR TRUST ONLY

(nonresident estates or trusts, see instructions for Schedule NR on page 16)

Line 1. Federal Taxable Income. Enter the amount of taxable income shown on federal Form 1041, the amount of unrelated business taxable income from federal Form 990-T and the taxable income of the S corporation portion of Electing Small Business Trusts (ESBT) (if applicable).

Line 2. Fiduciary Adjustment. The fiduciary adjustment is determined on Schedule 1 and allocated in accordance with Schedule 2 on page 2 of the form. If any of the income adjustments apply, complete these schedules before proceeding with page 1 of the form. Detailed instructions for the schedules follow.

Line 4. Maine Income Tax. Compute the tax on the amount shown on line 3 by using the following table:

TAX TABLE

If the taxable income is: The tax is:

Less than \$4,250	2.0% of the taxable income
\$4,250 but less than \$8,450	\$85 plus 4.5% of excess over \$4,250
\$8,450 but less than \$16,950	\$274 plus 7.0% of excess over \$8,450
\$16,950 or more	\$869 plus 8.5% of excess over \$16,950

This tax rate schedule is effective for tax years beginning in 2003.

Line 7a. Maine Income Tax Withheld. Enter the total amount of Maine income tax withheld. Enclose (do not staple or tape) supporting W-2 and 1099 forms. Only send 1099 forms if there is State of Maine income tax withheld shown on them, unless otherwise required to send as supporting documentation for another schedule or worksheet. Legible photocopies of your W-2 forms and 1099 forms on 8 1/2 by 11 inch paper are preferred.

Line 7b. 2003 Estimated Tax Payments and 2002 Overpayment Carried Forward. Enter the total amount of estimated taxes actually paid for 2003 and any 2002 credit carried forward. See general instructions above for further explanation of estimated payments.

Nonresident estates or trusts: also enter on this line amounts withheld in 2003 on the sale of real estate in Maine. Enclose a copy of Form REW-1 to support your entry.

Line 8. Tax Balance Due. Any balance of tax liability should be paid in full with the return. Make check payable to Treasurer, State of Maine and mail with the return. Please write the federal estate or trust identification number on the check.

If the amount owed (line 6 minus line 7a) is \$1,000 or more, complete Form 2210ME and attach it to the return. If Form 2210ME shows a penalty amount due, enter it on line 8b and submit payment for the entire balance.

Line 10a. Amount of Line 9 You Want Credited. Use this block only if electing to have all or a portion of the overpayment on line 9 credited to next year's estimated tax.

SCHEDULE 1 – FIDUCIARY ADJUSTMENT (Enter combined amounts for both the beneficiaries and the estate or trust).

Line 1a. Income from municipal and state bonds, other than Maine. Enter the income from municipal and state bonds associated with locations outside Maine that is not included in federal taxable income. For example, enter interest from City of New York bonds on this line. However, do not enter interest from Portland, Maine bonds. **NOTE:** Also include adjustments for the taxpayer's distributive share of such items from partnerships, S Corporations and trusts.

SPECIFIC INSTRUCTIONS, continued

Line 1b. Net Operating Loss Recovery Adjustment. Enter on this line any amount of net operating loss carried to the tax year for federal purposes that has been previously used to offset the addition modifications provided by 36 M.R.S.A. § 5122(1).

Line 1c. Maine State Retirement Contributions. Enter the amount of 2003 Maine State Retirement Contributions on this line. To calculate this amount, subtract federal wages from state wages appearing on the State of Maine W-2 form. These contributions are tax deferred for federal tax, but are subject to Maine income tax.

Line 1d. Fiduciary Adjustment. If applicable, enter the estate's/trust's share of the fiduciary adjustment of another estate/trust – additions only (36 M.R.S.A. §§ 5122(3) and 5164).

Line 1e. Bonus Depreciation and IRC §179 Expense Add-back. For tax years beginning in 2003, federal taxable income must be increased by the net effect of the following amounts reflected in federal taxable income: 1) 30% bonus depreciation; 2) 50% bonus depreciation, and; 3) increase in section 179 expense due to the federal changes enacted in 2003 (deduction limit increase from \$25,000 to \$100,000; phase-out threshold increase from \$200,000 to \$400,000; and certain off-the-shelf computer software includable as eligible property). The amount of this modification is determined by first recalculating the depreciation deduction and section 179 expense on federal Form 4562 exclusive of all bonus depreciation and the section 179 expense increases listed above. Enter on line 1e the difference between this recalculated depreciation/section 179 expense and the original depreciation/section 179 expense claimed for federal income tax purposes. Enclose both the actual and pro forma versions of federal Form 4562 with the Maine return.

Line 1f. Other. Enter the amount of loss, deductions, and other expenses of a financial institution subject to the Maine franchise tax that are included in federal taxable income due to an ownership interest in the financial institution that is a partnership, S corporation, or entity disregarded as separate from its owner. Enter on this line income taxes imposed by Maine or other states and interest or expenses incurred in the production of income exempt from Maine taxation deducted in arriving at federal taxable income. Enter amounts claimed as a business expense for federal tax purposes that are included in the investment base for the high-technology investment tax credit. Enter on this line the amount deducted at the federal level for qualified tuition and other educational expenses under IRC § 222. Enter income received from the National Health Service Corps Scholarship Program and Armed Forces Health Professions Scholarship and Financial Assistance program if the income is not included in federal income. Also enter student loan interest deducted from federal income if related to interest that was paid more than 60 months from the beginning of the repayment period. **Attach supporting documentation when claiming an amount on this line.**

Line 2a. U.S. Government Bond Interest. Enter income from direct obligations of the United States Government, such as Series EE and Series HH Savings bonds, U.S. Treasury bills and notes. Include on this line only the amount of interest included in federal taxable income.

Line 2b. Social Security and Railroad Retirement Benefits included in Federal Taxable Income. Social Security benefits and Railroad Retirement benefits issued by the U.S. Railroad Retirement Board are not taxed by Maine. However, benefits issued by the Canadian Railroad Retirement Board are taxable to Maine.

Line 2c. Interest from Maine Municipal General Obligation Bonds included in Federal Taxable Income. There may be interest from Maine Municipal General Obligations included in federal taxable income. Interest from these bonds is exempt from Maine income tax. If interest of this type is included in federal taxable income, enter that amount on this line.

Line 2d. Maine State Retirement System Pick-Up Contributions. Enter contributions paid that have been previously taxed by the state. Use this line only if the person retired after 1988 and received retirement benefits from the Maine State Retirement System in 2003. To calculate the amount for this line, subtract the state taxable gross amount from the federal taxable gross amount shown on the check stub of the last pension check received from the Maine State Retirement System in 2003.

Line 2e. Federal Work Opportunity Credit. Enter on this line the amount equal to the federal Work Opportunity Credit.

Line 2f. Other Deductions. Enter on this line Maine Lottery or Tri-State Lottery winnings received in 2003 and won prior to January 1, 1987, account proceeds from a Family Development Account administered by FAME (36 M.R.S.A. § 5216-C), state income tax refunds, net operating losses carried forward from previous tax years pursuant to 36 M.R.S.A. § 5122, earnings from fishing operations that were contributed to a capital construction fund, income from investments in the Northern Maine Transmission Corporation, and the estate's/trust's share of a fiduciary adjustment – subtractions only (36 M.R.S.A. §§ 5122(3) and 5164). Enter interest income and capital gains from the sale of bonds issued by the Waste Management Agency to the extent included in federal taxable income. Also enter on this line all items of income, gain, interest, dividends, royalties, and other items of income of a financial institution subject to the Maine franchise tax that are included in federal taxable income due to an ownership interest in the financial institution that is a partnership, S corporation, or entity disregarded as separate from its owner. Except for net operating losses added back in previous tax years pursuant to 36 M.R.S.A. § 5122, enter only amounts included in federal taxable income. Enter up to \$6,000 in pension income pursuant to 36 M.R.S.A. § 5122(2)(M). Also enter on this line expenses incurred in the production of income subject to Maine tax, but exempt from federal tax. An example is expenses related to the production of non-Maine municipal bond interest. In addition, enter on this line amounts received from a Holocaust victims settlement that are included in Federal income (see 36 M.R.S.A. § 5122(2)(O)). Also enter long-term care insurance premiums paid by the estate or trust that have not been claimed as an itemized deduction on the decedent's income tax return. Except for net operating losses carried forward from previous tax years pursuant to 36 M.R.S.A. § 5122, enter only amounts included in federal taxable income. **Attach supporting documentation when claiming an amount on this line.**

Line 3. Net Fiduciary Adjustment. The shares of the beneficiaries and of the trust/estate in the Maine fiduciary adjustment are in proportion to their respective shares of federal distributable net income of the estate or trust. If Schedule 2, column 3, line f is 100%, enter the amount from Schedule 1 line 3 on line 2, page 1 of the form. If Schedule 2, column 3, line f is less than 100%, multiply the net fiduciary adjustment (line 1g minus line 2g) by the percentage on Schedule 2, Column 3, line f. Enter the result here and on page 1 of the form, line 2. **Nonresident trusts and estates:** Enter the total fiduciary adjustment from Maine sources on Schedule NR, line 4.

SPECIFIC INSTRUCTIONS, continued

SCHEDULE 2 – ALLOCATION OF FEDERAL INCOME AND MAINE-SOURCE INCOME.

The purpose of this schedule is to show the distribution of federal income and Maine-source income among the beneficiaries and the trust or estate.

Column 1. Enter the name of each beneficiary of the trust or estate, including nonresident beneficiaries. Enter the trust/estate name on line f. If there are more than 5 beneficiaries, use a separate sheet of paper.

Column 2. Enter the respective shares of federal distributable net income of each beneficiary and of the trust/estate on the appropriate lines.

Column 3. Determine the percentage share for each beneficiary and for the trust/estate based on the amounts in column 2. Use the percentage on line f to determine the trust's/estate's share of the fiduciary adjustment on Schedule 1, line 3. **Nonresident trusts or estates: Do not apply the percentage on line f to the fiduciary adjustment. Instead, enter the total fiduciary adjustment from Maine sources on Schedule NR, line 4.**

Columns 4 and 5. Enter the state of domicile and the social security number/EIN of each beneficiary of the estate or trust, including nonresident beneficiaries.

Column 6. Nonresident estates or trusts enter on line g, column 6, the amount from Schedule NR, line 5, column B. Complete lines a - e. Allocate line g to the nonresident beneficiaries in proportion to their respective shares of federal distributable net income. The income, as allocated, has the same character as for federal income tax purposes. Resident estates or trusts with nonresident beneficiaries will need to complete a pro forma Schedule NR (as if the estate or trust were a nonresident estate or trust) in order to complete column 6 of Schedule 2. Enter on Schedule 2, line g, column 6 the amount from Schedule NR, line 5. Follow the instructions on page 16 for completing Schedule NR. Attach a copy of the pro forma Schedule NR to the Maine income tax return for the estate or trust. Do not complete column 6 for resident beneficiaries.

If the estate or trust has no federal distributable net income, the share of each beneficiary in the Maine-source income is in proportion to the beneficiary's share of the estate or trust income for the taxable year, including that which is required by local law of the governing instrument to be distributed in such year. Any balance of the Maine-source income not allocable to beneficiaries shall be allocated to the estate or trust. If the shares in the Maine-source income are allocated in accordance with this paragraph, show the allocation in a schedule attached to the return.

SCHEDULE 3 – CREDIT FOR INCOME TAX PAID TO ANOTHER JURISDICTION.

Resident trusts and estates may claim a credit against Maine income tax for income tax paid to another jurisdiction if all the following conditions are met:

- (1) The other jurisdiction is another state, a political subdivision thereof, the District of Columbia, Canadian Province or any political subdivision of a foreign country that is like a state of the United States.
- (2) The tax paid to the other jurisdiction is directly related to the income received during the tax year covered by this return. Tax payments made to other taxing jurisdictions for prior year tax liabilities cannot be considered when computing this credit.
- (3) The income taxed by the other jurisdiction is derived from sources in that jurisdiction determined in the same manner as Maine-source income is determined for nonresidents of Maine under Title 36 § 5142.

Line 4b is the income tax assessed by the other jurisdiction minus any tax credits (except withholding and estimated tax payments).

Complete a separate Schedule 3 for each jurisdiction to which taxes are paid and for which a credit is being claimed. Enclose a copy of each Schedule 3 completed. Add the credits together and enter the total on Schedule A, line 4. **Attach a copy of the income tax return filed with the other jurisdiction.**

SCHEDULE A – MAINE TAX ADJUSTMENTS

SECTION 1 - TAX ADDITIONS:

Line 1. RETIREMENT PLAN DISTRIBUTIONS. If you choose to compute a separate federal tax on a premature lump-sum distribution from a retirement plan, you are subject to an additional Maine tax equal to 15% of the federal tax. **NOTE:** Distributions relative to Maine State Retirement System contributions previously taxed by Maine are not subject to this special tax.

Line 2. MAINE MINIMUM TAX. If you exceed the following thresholds, you must complete a Maine Minimum Tax Worksheet to determine whether you owe Maine minimum tax (see instructions and supporting Worksheets at www.maine.gov/revenue, or by calling 207-624-7894):

- estates or trusts that have a federal tentative minimum tax on federal Form 1041, Schedule I, line 52.
- estates or trusts that do not have a federal tentative minimum tax on federal Form 1041, Schedule I, line 52 but do have federal alternative minimum taxable income on federal Form 1041, Schedule I, line 51* plus Maine addition fiduciary adjustments (Maine Schedule 1, lines 1a through 1f), the total of which is greater than the minimum tax exemption amount on federal Form 1041, Schedule I, line 50.

*Note: If you are not subject to the federal alternative minimum tax, you will need to complete federal Form 1041, Schedule I in order to determine the amount of the federal alternative minimum taxable income on line 51.

SECTION 2 - TAX CREDITS:

An estate or trust is allowed a credit against the tax imposed by 36 M.R.S.A. § 5160 in an amount equal to the trust's/estate's share of tax credits described in 36 M.R.S.A. Chapter 822.

Line 5. MAINE SEED CAPITAL TAX CREDIT.* The Finance Authority of Maine ("FAME") administers this program. FAME issues a tax credit certificate after verifying the eligibility of the investor. The estate/trust must enclose a copy of the certificate when requesting a tax credit under this program. This credit is limited to 50% of the Maine income tax due. Carryover provisions apply. 36 M.R.S.A. § 5216-B.

Line 6. EMPLOYER-ASSISTED DAY-CARE TAX CREDIT.* An employer may claim a credit for providing day-care services for, or for paying day-care expenses of, employees. This credit is limited to the lowest of \$5,000, 20 percent of the cost incurred, or \$100 per child enrolled on a full-time basis. It cannot exceed the Maine income tax due. The credit doubles if the child-care services provided are quality child-care services as determined by DHS, Office of Childcare & Head Start. Carryover provisions apply. 36 M.R.S.A. § 5217.

SCHEDULE A INSTRUCTIONS, continued

Line 7. MACHINERY & EQUIPMENT INVESTMENT TAX CREDIT OR SOLID WASTE REDUCTION INVESTMENT TAX CREDIT. Enter the amount of these credits carried forward to this tax year. Attach a schedule verifying the amount carried forward.

Line 8. FOREST MANAGEMENT PLANNING CREDIT. Once every 10 years an estate/trust is allowed a credit of up to \$200 for expenses incurred in developing a forest management and harvest plan for a parcel of forest land which is more than 10 acres. A professional forester who is not in the regular employ of the owner must prepare the plan. The estate/trust claiming the credit must attach to the Maine return a statement from the forester supporting the claim and affirm upon penalties of perjury that the credit has not been claimed in the previous 10 years. 36 M.R.S.A. § 5219-C.

Line 9. EMPLOYER-PROVIDED LONG-TERM CARE CREDIT.* An employer may claim a limited credit for expenses incurred in providing long-term care policy coverage as part of an employee benefit package. The credit is limited to the lowest of \$5,000, 20 percent of the cost incurred, or \$100 per employee covered. 36 M.R.S.A. § 5217-C.

Line 10. JOBS AND INVESTMENT TAX CREDIT.* A taxpayer, other than a public utility, may claim a tax credit for qualified jobs and investment subject to limitations. Eligibility for the credit requires the addition of \$5 million of IRC § 38 property based on the Internal Revenue Code of 1954, as of December 31, 1985, § 38(b)(1), and 100 new employees in Maine during the 24 months after placing the property in service. This credit is limited to \$500,000 or the Maine income tax due, whichever is less. Carryover provisions apply. 36 M.R.S.A. § 5215.

Line 11. RESEARCH EXPENSE TAX CREDIT.* The credit is 5% of qualified research expenses incurred during the taxable year that exceed the average qualified research expense for the previous three tax years, plus 7.5% of the basic research payments determined pursuant to IRC § 41(e)(1)(A). Only expenditures for research conducted in Maine qualify for the credit. The term "qualified research" is defined in IRC § 41(d). The credit is limited to the tax liability of the taxpayer. In the case of corporations, the credit is limited to the first \$25,000 of tax liability before credits plus 75% of the tax liability that exceeds \$25,000. Carryover provisions apply. 36 M.R.S.A. § 5219-K.

Line 12. RESEARCH & DEVELOPMENT SUPER CREDIT.* Businesses that increase research expenses by more than 50% over the average research expenses incurred in the 3 taxable years immediately preceding June 12, 1997 qualify for the credit. The credit is equal to the excess over 150% of the 3-year average. It is limited to 50% of the net income tax due after other credits and may not reduce the taxpayer's tax liability to less than the net tax liability in the preceding year after other credits. Carryover provisions apply. 36 M.R.S.A. § 5219-L.

Line 13. HIGH-TECHNOLOGY CREDIT.* Businesses primarily engaged in high-tech activities and that lease, purchase and use, or purchase and lease computer equipment, electronic components and accessories, communications equipment or computer software placed in service in Maine and used in "high-technology activities" qualify. The credit is equal to the adjusted basis of eligible equipment for federal income tax purposes or the amount of lease payments made (by lessee) less any lease payments received for the eligible equipment during the tax year. The lessor may claim the credit only if the lessee waives entitlement to the credit. The reimbursement period for BETR must be reduced one year for each tax year the eligible equipment is included in the basis for the High-Technology Credit. Also, Maine taxable income must be increased by the amount of the investment credit base also claimed as a business expense (including depreciation) for federal income tax purposes. Generally, the credit is limited to \$100,000 per tax year. Additional provisions apply. Carryover provisions apply. 36 M.R.S.A. § 5219-M.

Line 14. MAINE MINIMUM TAX CREDIT. Complete the Maine minimum tax credit worksheet. 36 M.R.S.A. § 5203-A(5). The worksheet is available at: www.maine.gov/revenue, or by calling 207-624-7894.

Line 15. CREDIT FOR DEPENDENT HEALTH BENEFITS PAID.* Employers that offer a qualified health benefit plan and that employ fewer than 5 employees may qualify for a credit equal to the lesser of 20% of the dependent health benefits paid by the employer or \$125 per employee with dependent health benefits coverage. A taxpayer that employs 5 or more employees after qualifying for the credit may continue to qualify for the credit for another 2 years. The credit is limited to 50% of the income tax due. The credit is subject to additional restrictions. Carryover provisions apply. 36 M.R.S.A. § 5219-O.

Line 16. CLEAN FUEL CREDIT.* The credit is 25% of expenditures made or incurred from January 1, 2002 to December 31, 2005 for construction, installation of, or improvements to any filling station or charging station located in Maine for the purpose of providing clean fuels to the general public for use in motor vehicles. The credit automatically expires January 1, 2006. 36 M.R.S.A. § 5219-P.

Line 17. HISTORIC REHABILITATION CREDIT.* A taxpayer is allowed a credit equal to the amount of the federal credit, including carryovers, for rehabilitation of certified historic structures located in Maine. The credit is nonrefundable and is limited to \$100,000 annually per taxpayer. The credit is subject to the same recapture provisions as under the Internal Revenue Code. The credit applies to tax years beginning on or after January 1, 2000 and relates to eligible expenditures incurred after December 31, 1999. 36 M.R.S.A. § 5219-R.

Line 18. FAMILY DEVELOPMENT ACCOUNT CREDIT.* Individuals whose family income is below 200% of the poverty level may open a family development account in connection with an approved community development organization. Use of these funds include educational expenses, home and auto purchases or repairs, emergency expenses for basic needs, capital to start a business, and health care costs. Accounts are funded by deposits made by family members participating in the program and matching funds from community development organizations. Deposits to the fund are not exempt from tax; however, withdrawals (both principal and interest) are exempt from Maine income tax. 10 M.R.S.A. § 1077(4).

SCHEDULE A INSTRUCTIONS, continued

A credit is available for contributors to family development matching fund accounts. The credit per tax return is equal to the lesser of \$25,000 or 50% of the amount contributed. The credit is limited to the tax liability on the return and must be taken after the allowance of all other credits. Maine itemized deductions must exclude any contributions claimed for this credit. The aggregate allowable credit amount in a state fiscal year is limited to \$200,000. The Finance Authority of Maine is required to certify the allowable credit for each contributor. The credit applies to tax years beginning on or after January 1, 2000. 36 M.R.S.A. § 5216-C.

Line 19. QUALITY CHILD-CARE INVESTMENT TAX CREDIT.*

Corporations and partnerships making certified quality child-care investments qualify for a credit equal to 30% of up to \$30,000 of eligible expenditures. Individual taxpayers making certified quality child care investments of no less than \$10,000 qualify for a credit equal to \$1,000 each year for 10 years, plus \$10,000 at the end of the 10-year period. The credit is nonrefundable; however, unused credit amounts may be carried forward until exhausted. The Maine Department of Human Services ("DHS"), Office of Child Care and Head Start certifies eligible investments.

Attach a copy of the certificate when claiming this credit. For questions about quality child care and the certification process, call DHS, Office of Child Care and Head Start at (207) 287-5099.

Line 22. ALLOWABLE CREDITS. These credits are not refundable. The total credits claimed cannot exceed the Maine income tax otherwise due for the taxable year.

***Complete the worksheets at www.maine.gov/revenue/forms when claiming any of these credits. Attach the worksheet(s) to the Maine return.**

SCHEDULE NR INSTRUCTIONS

Schedule NR is used to determine the Maine taxable income of a nonresident estate or trust, or a resident estate or trust with nonresident beneficiaries. Generally, Maine taxable income of a nonresident estate or trust is the Maine-source portion of its federal taxable income. The nonresident beneficiaries are taxed on their share of the Maine-source distributable net income. Resident beneficiaries are taxed on their entire share of the trust or estate income as though the trust or estate were resident.

Lines 1a - 1g. Enter in column A income, gain or loss as reported on federal Form 1041. Enter in column B amounts derived from or connected with sources in Maine (see 36 M.R.S.A. § 5142 [nonresident taxable income] and MRS Rule 806 [nonresident individual income tax]). Enter non-Maine source income in column C.

Step 1. Complete Schedule NR, lines 1-5.

Step 2. Complete Schedule 2 on Form 1041ME, page 2.

Step 3. Complete Schedule NR, lines 6 through 9.

Step 4. Complete Form 1041ME, page 1.

NOTE: Use the form below only if you are making a payment and filing Form 1041ME on extension.

2003
1041ME-EXT

STATE OF MAINE
EXTENSION PAYMENT VOUCHER
for FIDUCIARY INCOME TAX

0300980₀₀

Please Type or Print

NAME OF ESTATE OR TRUST

ESTATE/TRUST EIN

NAME AND TITLE OF FIDUCIARY OR TRUSTEE

FIDUCIARY SSN OR EIN

ADDRESS OF FIDUCIARY (NUMBER and STREET)

AMOUNT OF PAYMENT

CITY

STATE

ZIP CODE

\$

NOTE: Write your EIN or social security number on your check.



Detach this voucher and mail with check or money order payable to "TREASURER, STATE OF MAINE" to:
Maine Revenue Services, P.O. Box 9108, Augusta, ME 04332-9108.